

Information Technology Outsourcing Provider's Network capability

Abstract: Information technology outsourcing has been undergoing a rapid development in the past decades, meantime attracting much attention from the scholars to do the related research. This present paper aims at analyzing the ITO provider's outsourcing network that consists of various actors encompassing the focal provider, clients, subsidiaries of MNC and acquisition targets etc and explore what should be the network capability based on network theory and dynamic capability according to the case of Neusoft. Generally speaking, network capability is considered as one type of dynamic capability, involving the routines and experience of ITO providers in the aspects of network management and learning mechanism. In addition, network management that engages on actor management primarily classified into three successive phrases encompassing node identification, node embed and linkage upgrade, while learning mechanism as one critical part of network capability is comprised by two aspects, joint knowledge creation and mutual knowledge transfer.

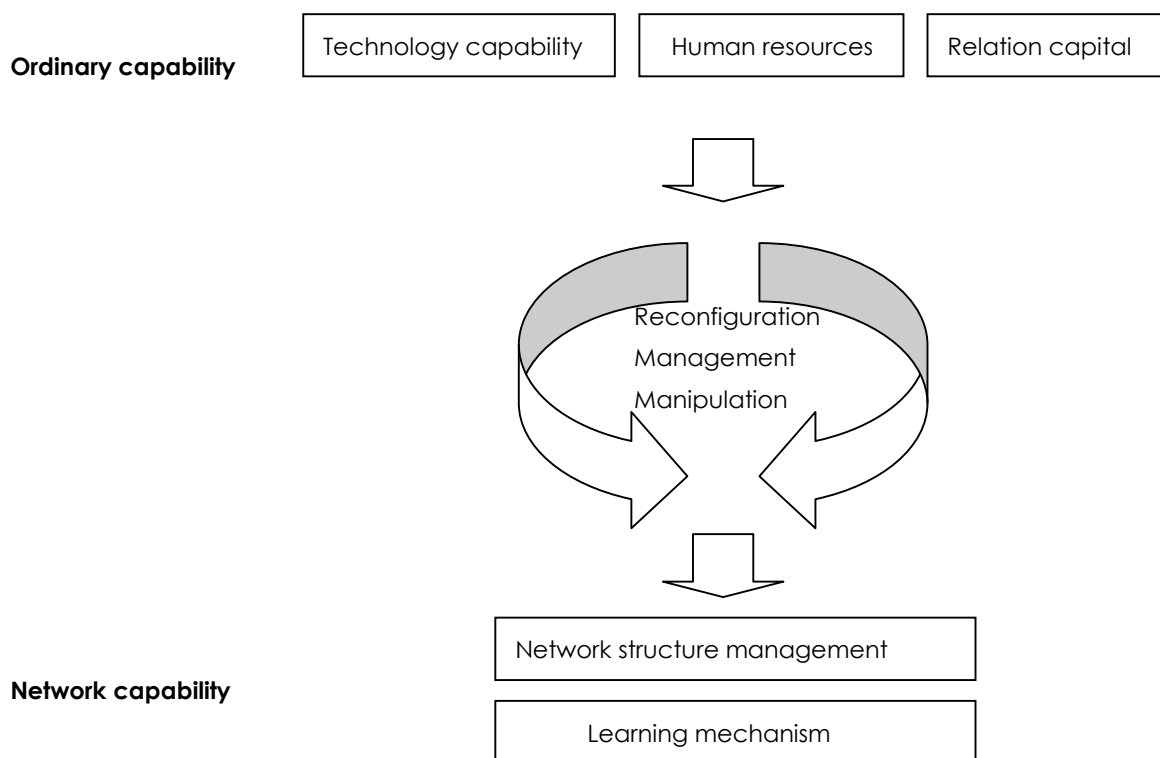
1. Introduction

IT outsourcing, which could date back to the mid 1980s, has become gradually more and more popular among powerful multi-national companies and is undergoing unexpected high growth in the past few decades. It is no doubt IT outsourcing, especially IT offshore outsourcing, will be more and more popular in future due to its evident advantages for firm's global competition. In present research, client refers to the outsourcing firm in the foreign countries, such as the United States, Japan and so on, while provider means the specialized supplier firm that executes business on behalf of the former, at present the providers in India and China dominate the global outsourcing market in a large extent. In consideration of research scope and research object in current paper, provider in current paper is restricted into Chinese firms which supply ITO service to top companies from the USA, the Europe, Japan etc as clients.

The past research with respect to outsourcing emphasize more on firm's resources and capability, indicating that the both client's and provider's capability has a positive influence on the outsourcing performance and outsourcing success. Nonetheless, confronted with the high-velocity changing international economic environment like the finance risk in 2009, firms, especially outsourcing firms which involves a lot of cross-border activities, should be flexible to adjust themselves to the dynamic economic environment. Consequently, the introduction of dynamic capability (TEECE & PISANO, 1994; Wernerfelt, 1995; Zahra, Sapienza, & Davidsson, 2006), which is developed to cope with the dynamic atmosphere, will distinguish this work with others. Simultaneously, considering that the significant effects of inter-organizational relationship in outsourcing industry, network will be adopted to describe the inter-organizational relationship between one provider and its clients rather than the past research merely paying attention to bilateral relationship between one provider and one client. Compared with

other terms like partnership, alliance, employed to describe the inter-organizational relationship between one provider and one client, network have two advantages which should be stressed. 1: The network including all the important clients and their relationship is able to tell us the whole structure and the detailed location in the global market; 2, the network could depict the dynamic process of inter-organizational relationship between the provider and its clients. In fact, every provider has its own outsourcing network which connects the provider with its clients, obviously the number of clients, the quality of clients, the outsourcing business from clients etc, have a direct effect on the provider's performance. Thus, how to manage and perfect clients under the framework of outsourcing network has become one important issue for provider. Network capability, which is regarded as one type of dynamic capability, will be developed in detail to manage the client relationship according to the cases in China.

Research Model



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